S. HRG. 101-1245

# NOMINATION OF WENDY L. GRAMM

## HEARING

BEFORE THE

## COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATION OF WENDY L. GRAMM, OF TEXAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION (REAPPOINTMENT) AND TO BE CHAIRMAN OF THE COMMODITY FUTURES TRADING COMMISSION (REAPPOINTMENT)

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AUGUST 2, 1990

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# CONTENTS


Page

Hearing held on: August 2, 1990 ..... 1

NOMINATION OF WENDY L. GRAMM

Leahy, Hon. Patrick J., a U.S. Senator from Vermont ..... 8
Lugar, Hon. Richard G., a U.S. Senator from Indiana, prepared statement ..... 4
Dole, Hon. Robert, a U.S. Senator from Kansas, prepared statement ..... 4
Cochran, Hon. Thad, a U.S. Senator from Mississippi ..... 7
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota ..... 7
Bond, Hon. Christopher S. "Kit", a U.S. Senator from Missouri ..... 37
Prepared statement ..... 5
Gorton, Hon. Slade, a U.S. Senator from Washington ..... 7

CHRONOLOGICAL LIST OF WITNESSES

Bentsen, Hon. Lloyd, a U.S. Senator from Texas ..... 1
Inouye, Hon. Daniel K., a U.S. Senator from Hawaii ..... 2
de la Garza, Hon. E (Kika), a Representative in Congress from the 15th Congressional District, State of Texas ..... 6
Gramm, Wendy L., Nominee to be Chairman of the Commodity Futures Trading Commission, testimony of ..... 10
Biographical Information (Public) ..... 11
Financial Data and Conflict of Interest (Public) ..... 16
Campbell, Donald E., Acting Director, U.S. Office of Government Ethics, letter of with enclosure, dated April 27, 1990, to Hon. Patrick J. Leahy ..... 18
Financial Disclosure Report ..... 19
Schedule A, Attachment No. 1 ..... 23
Supplement to SF 278, dated March 16, 1990 ..... 28
Schedule A, Attachment No. 1 ..... 29

# NOMINATION OF WENDY L. GRAMM, OF TEXAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION (REAPPOINTMENT) AND TO BE CHAIRMAN OF THE COMMODITY FUTURES TRADING COMMISSION (REAPPOINTMENT)

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THURSDAY, AUGUST 2, 1990

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
*Washington, DC.*

The committee met, pursuant to notice, at 7:20 p.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Cochran, Boschwitz, Bond, and Gorton.

Also present or submitting a statement: Senators Bentsen and Inouye and Representative de la Garza.

The CHAIRMAN. I will withhold my opening statement. I am delighted to see such a distinguished group here. I will yield first to Senator Bentsen and Senator Inouye. Senator Inouye and Senator Bentsen, I will let you two work it out. And then I will yield to my distinguished chairman and special friend, Congressman de la Garza.

## STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS

Senator BENTSEN. Thank you, Mr. Chairman. It is a pleasure for me to be here again to join in introducing Dr. Wendy Lee Gramm. I think that she has done an exemplary job in a very tough and controversial position. The Commodity Futures Trading Commission has faced many challenges in the last 2 years under Dr. Gramm, and her record as Chairman has led President Bush to renominate her for that position.

It was just over 2 years ago that I came before you to introduce Dr. Gramm to the Senate Agriculture Committee for the first time. She had just been nominated by President Reagan to serve as the Chairman of the CFTC. Since then you have had an opportunity to work with her in that capacity, and she is a much better-known quantity in terms of job performance than she was then.

There is no question that Dr. Gramm is highly qualified for this position. She holds a Ph.D. in economics and did an exemplary job as a Professor of Economics at Texas A&M University, which is an

outstanding university. She has served at the Federal Trade Commission as the Director of the Bureau of Economics and served at the Office of Management and Budget as the Administrator of the Office of Information and Regulatory Affairs.

At the OMB Dr. Gramm was in charge of, among other things, supervising the administration's paperwork reduction efforts. The good job she did in that key position it was of particular interest to me personally, since I was an original cosponsor of the legislation which created that position. I remember being told that she had helped to reduce the burden of Federal paperwork by an estimated 600 million man-hours, which is a most impressive accomplishment.

She has shown a continuous record of integrity and commitment to excellence. That is terribly important, and these days we appreciate more and more the value of those qualities and the terrible consequences for our government and our society when they are found to be lacking in key positions of public service.

Dr. Gramm is a student, and a very good one. She has proven to be a quick study and in the process has gained a great deal of practical knowledge and experience in the workings of the Federal regulatory process. She has also proven to be a skilled administrator. She knows how to get along with people, how to get their support, how to motivate them.

It is easy to criticize people in public positions, particularly where those positions entail great responsibility and deal with controversial subjects. Dr. Gramm has been in such positions. She has filled them well, and President Bush has expressed his full confidence in her by nominating her once again for this position of high responsibility. I am delighted to be able to come here today and to add my recommendation and support for the approval of her nomination by this committee and by the full Senate.

The CHAIRMAN. Thank you, Mr. Chairman. And I should mention, Dr. Gramm, that he says the same kind things about you when we are not here on the record, too. Senator Bentsen asked me when we might get to this hearing. And, of course, as everybody knows, we have had to reschedule it a couple of times—once because of the markup of the farm bill itself, and then, of course, last week because we had the farm bill on the floor every day and every evening.

Senator Bentsen, I know you have another matter back on the floor. Please feel free to stay as long or as little time as you want.

Senator Inouye.

## STATEMENT OF HON. DANIEL K. INOUYE, A U.S. SENATOR FROM HAWAII

Senator INOUYE. Mr. Chairman, I thank you very much. I am extremely pleased and honored to join my colleagues, the chairman of the Finance Committee, distinguished Senator from Texas, and my friend from the House, chairman of the Agriculture Committee, Congressman de la Garza, in supporting the nomination by the President of Dr. Wendy Gramm.

If I may add to the statement just made by Senator Bentsen, when Dr. Gramm was Administrator of the Office of Information

and Regulatory Affairs in OMB, she was the one who reviewed the administration's regulatory program and exercised oversight authority over all federally promulgated regulations. That, all of us know, is not the easiest chore. She also served as Director of the Bureau of Economics in the Federal Trade Commission.

There is no question that Dr. Gramm has able served the people of this Nation as the Chairperson of the Commodity Futures Trading Commission since February 22, 1988. To mention a few of her accomplishments, she has approved 35 new futures and options contracts while ensuring the continued competitiveness of our exchanges. Additionally, Dr. Gramm developed new rules to detect and deter trading abuses and has detailed additional personnel to the trading floors to further deter misconduct and fraud. And I think we owe a great debt of gratitude to her.

I stated, Mr. Chairman, that I was extremely honored and proud to appear before this committee in supporting Dr. Gramm. My pride stems from her Hawaii roots. I realize this is supposed to be a Texas show, but Wendy Gramm is the granddaughter of Korean immigrants who came to Hawaii at the turn of the century to work in the sugarcane fields. Her family settled in the plantation town of Waialua on the island of Oahu.

From her humble and yet very proud beginnings, Wendy Gramm grew up to distinguish herself as a scholar, a skilled administrator, and one who obviously possesses much integrity and a commitment to excellence. We in Hawaii are extremely proud of Wendy Gramm, proud of her accomplishments, and I know she is of her Hawaiian background.

Hawaii lost Wendy Gramm to Texas, to a Texan by the name of Phil Gramm. Nonetheless, we send her our aloha and best wishes. We in Hawaii look upon Wendy Gramm as the super-model for young Asian women to aspire to.

Dr. Gramm has displayed extraordinary administrative and intellectual capabilities, and I am confident she will continue to uphold the Commission's responsibility of ensuring that the futures trading system operates in a fair and orderly manner. Her academic background in economics, her practical experience and knowledge of the Federal process certainly will aid her in continuing to protect both the rights of customers and the financial integrity of the marketplace.

And so, Mr. Chairman and distinguished members of the committee, I am most pleased to join the Texas delegation to urge this committee to carefully examine her record and accomplishments. She has been doing an excellent job, and I am certain she will continue to do so. I have no question, no qualm. She is first class.

The CHAIRMAN. We thank you very much, Senator Inouye. Again, I appreciate the fact you are here. I also know that you, too, have items on the floor. Please feel free to stay as long or as little time as you see fit.

Of course, it is always an enormous pleasure and an honor to have the chairman of the House Agriculture Committee, Congressman de la Garza. Not only is it an honor, but I say it is a pleasure because of our close friendship. You have had an extraordinarily busy week, and we are doubly honored that you take the time to come over here.

I must apologize to everybody about our rare evening session. This timing resulted only because of the unanimous consent agreement entered into earlier today that kept me and one other Senator on the floor from noon until just about 7 o'clock. Otherwise, we would have held this hearing during the afternoon.

Kika, we are glad to have you here. I yield to you.

Senator BENTSEN. Mr. Chairman, let me interject that there is a lifelong friendship with the fellow across the table. He is my Congressman, and I have known him since the day he put up posters for me, unauthorized posters on telephone poles. [Laughter.]

It was when he was a kid and I was running for county judge.

The CHAIRMAN. If we ever have to lobby your Congressman, we should go to you. Is that it? [Laughter.]

I should also note for the record that there is a statement by Senator Dole, a member of this committee, in support of Dr. Gramm. I want that in the record, too.

[The prepared statements of Senators Lugar, Dole, and Bond follow:]

PREPARED STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Mr. Chairman, thank you for convening this hearing to review the nomination of Wendy Gramm to be Chairman of the Commodity Futures Trading Commission. President Bush nominated Mrs. Gramm in April of this year to a 5-year term as Chairman.

Mr. Chairman, I do not have to tell you how important I view this position. The CFTC is responsible for overseeing the trading activities in commodities that represent the basic fabric of industrial and financial America. The committee recognized that important fact when last November it completed the most comprehensive reform of the Commodity Exchange laws in over 15 years. Unfortunately that effort, which is embodied in S. 1729, languishes because of a trifurcated jurisdiction dispute between the Department of Treasury, the SEC and the CFTC.

The CFTC has recently been and currently is enmeshed in controversy that greatly concerns the futures community. I am referring to the undercover probe and the recent financial troubles of one of the leading futures companies.

I note this because I believe that in periods of adversity and controversy, leadership consistency and continuity is very important. In her current 2½-year term, Chairman Gramm has faced adversity and controversy and throughout she has never shirked from taking a tough or unpopular position—the current jurisdictional debate is but one example of this. For these reasons I support this nomination.

I look forward to the testimony of Mrs. Gramm.

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PREPARED STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM KANSAS

I commend the distinguished chairman for calling this hearing to consider the nomination of Dr. Wendy L. Gramm to be Chairperson of the Commodity Futures Trading Commission. During the past 2½ years of Dr. Gramm's tenure as Chairperson of the CFTC, we have seen her do an excellent job at running an agency during a time of unprecedented market stress and market changes. Under Dr. Gramm's leadership, the CFTC has quickly and effectively responded to volatility in the commodity and financial futures markets and to concerns over abuse and fraud on the futures trading floors. Needless to say, the importance of this cannot be underestimated since the futures markets play such a vital role for agriculture.

In connection with helping the CFTC to do its job, this committee reported, and we are awaiting action on the Senate floor on, a very important piece of legislation, S. 1729, the Futures Trading Practices Act of 1989. I firmly believe that this bill will provide the CFTC with the additional tools it needs to make the most of its role as the enforcer and overseer of the futures markets. I know that Dr. Gramm was intimately involved in helping to craft that legislation and her efforts and expertise are greatly appreciated.

I also wish to take note of the fact that the debate over the regulation of the stock markets and the derivative product markets continues much as it did at the time of

Dr. Gramm's confirmation in 1988. We have seen more studies and reports released on the issue of market volatility and the causes of that volatility, and I must confess that we do not see much of a consensus among the experts on these complicated issues.

The primary concern, of course, is ensuring that the markets are safe for and responsive to the needs of investors—whether they are the big pension funds or the small individual investors. We have seen various legislative proposals put forth to promote coordination among the various types of markets, and I am hopeful that these issues can be resolved in order to enhance and preserve the stability and integrity of our markets. Thank you.

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PREPARED STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

It is a pleasure to be here today to welcome you again to our committee—I certainly look forward to hearing from you and discussing the many challenges now facing the CFTC.

Like many of my colleagues here today, I have been greatly disturbed by the recent stories concerning the demise of Stotler & Co. Three things concern me: First, that apparently it was the *SEC* which flagged the questionable transaction; second, the fact that it appears the CFTC and Chicago Board of Trade knew of the problem transaction, but still believed they had things well in hand; and third, my concern is heightened because the Chairman of Stotler was also the Chairman of the Chicago Board of Trade!

I am anxious to hear the Commission's version of the facts surrounding the Stotler case and to get more details on the action that the Commission is now pursuing against Stotler.

Rightly or wrongly, there is no question that the Stotler case will increase concern that the CFTC is not capable of overseeing the futures industry. And I have no doubt that critics of the Commission—including some on this panel—will use this as an excuse to attack you. I would say to those people, however, that we cannot expect the Commission to do a proper job of regulating without adequate tools, and we in Congress have failed to provide those tools.

We need to pass the CFTC reauthorization bill which has been languishing in this body for over a year. This latest case illustrates, yet again, why we need to overcome the obstacles and get that bill approved.

As you know, I have been actively involved in seeking a compromise solution to the CFTC-SEC jurisdictional issues that have held up the reauthorization bill. I leapt into this thicket because I believe passage of S. 1729 is vital, and because I am convinced that passage will not occur until we address the critical issues that the administration aimed at in proposing their legislation.

Thus along with several of my colleagues on this committee, as well as my colleagues on the Banking Committee, I have been working to develop what we think is an excellent framework for moving the CFTC reauthorization bill as well as the Banking Committee's market reform bill—thus, giving you and your agency the necessary additional tools we all agree you need.

As we all know well, there are a lot of interests on all sides of this debate. There are those who want to see compromise, and other interests who continue to fight it every step of the way. To all of these parties I would simply make the following observation. Many of us believe that something needs to be done to address market volatility and intermarket coordination, in order to help protect small investors.

Many Members favor action such as the administration proposal. I believe incidents such as the Stotler case only serve to strengthen their position and make it more likely they will garner the votes needed to gain approval for their bill.

Since the Treasury first proposed their plan I have told all who asked that the volatility issue must be addressed, but that I have questions and concerns regarding several of the other provisions of the Treasury's and my friend Slade Gorton's approach. However, I believe we need action now, and if it becomes clear that a compromise is not possible, then I could easily be among those pushed over to the Treasury camp.

I certainly don't say this lightly, instead I say it hoping that all parties will realize it is in all of our best interest to come to an agreement in order to avoid a major fight over the Treasury plan. But I must confess I am at a loss, for how can we be expected to defend the current regulatory scheme against its critics, when over and over again they appear to be proved right?

Wendy, you have always worked closely with this committee, I for one want to thank you for your cooperation. The tremendous analytical skills and knowledge that you have brought to the Commission and your willingness to fight for what you believe in are certainly welcome traits in this city.

It is for those reasons that I am putting my strong support and full confidence behind you to continue as Chairman of the CFTC. I hope you will join us in resolving these issues so we may move forward and provide the Commission with strong tools to begin those critical first steps toward strengthening investor confidence in our Nation's financial markets.

Senator INOUYE. Is her husband supporting her? [Laughter.]

The CHAIRMAN. Well, either fortunately or unfortunately for her, he doesn't get to vote in this committee.

Senator INOUYE. Just checking.

The CHAIRMAN. She is OK on that account.

Kika.

**STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE 15TH CONGRESSIONAL DISTRICT, STATE OF TEXAS**

Mr. DE LA GARZA. Mr. Chairman, thank you, and I join my two distinguished colleagues, my Senator and friend, Senator Bentsen, Chairman Bentsen, and my friend of many years, Senator Inouye.

There is no need for me to repeat the qualifications of Dr. Wendy Gramm, but in my position as chairman, as you well know, Mr. Chairman, we have oversight over the activities of CFTC. And I have been able to personally oversee not only the performance but the dedication of Dr. Gramm, how she has acted in time of strife and in time of problems, and how she has involved herself intimately with all of the activities of the CFTC to the great satisfaction of those of us on my side of the Congress that oversee this Commission.

Her qualifications are excellent. Her performance I think has been outstanding, and we from Texas share some degree of pride with our Hawaiian friend that many of the great Texans whose names you hear in the past and presently have adopted Texas. And she is one of those. I think after the hazards of managing the farm bill all week on the floor of the House, this is a very pleasant interlude, Mr. Chairman, to come here to recommend the reconfirmation of Dr. Wendy Gramm, not only because of her qualifications but because of how she has acted as Chairman on the CFTC. Her activities are certainly exemplary for all of Government from what you have heard about past activities and in streamlining Government. She has applied that to the CFTC.

So it is my honor and, indeed, a happy privilege to recommend very respectfully to you, and the members of your committee, Dr. Wendy Gramm.

The CHAIRMAN. Thank you very much, Chairman de la Garza. I agree with you this is easier than being on the floor.

Senator INOUYE. By the way, the record should show that I am an honorary citizen of Texas, so I am part of the Texas delegation.

The CHAIRMAN. I thought you were an honorary Texas Ranger.

Mr. DE LA GARZA. He is anything he wants to be in Texas. [Laughter.]

The CHAIRMAN. Does anybody else have any statement before I make my opening statement?

## STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Mr. Chairman, let me just say that I read over the statement I made when Dr. Gramm was before the committee for confirmation in 1988, and it was a very expansive statement. I was proud that I had said——

The CHAIRMAN. Expensive or expansive?

Senator COCHRAN. Expansive. I was proud that I said so many good things about her at that time because her performance has proven that they were all true and not exaggerated in the least. As you may remember, she had come from the Office of Management and Budget, and had experienced regulatory task force matters and had been called upon to perform many important duties and assume many important responsibilities at that agency.

I thought at the time that she may have been one of the best qualified persons that we had ever had nominated as Chairman of the Commodity Futures Trading Commission. I think she has displayed a lot of ability, courage and tenacity. She is obviously conscientious and dedicated to this task. I think she has done a superb job and ought to be confirmed again by this committee.

The CHAIRMAN. Anybody else?

## STATEMENT OF HON. SLADE GORTON, A U.S. SENATOR FROM WASHINGTON

Senator GORTON. Mr. Chairman, I have come to know Mrs. Gramm in a number of ways, but I think best in this committee, in the frequent heat and occasional light which takes place in the course of hearings on important and controversial issues in which she has engaged here, I would have to say I would miss the opportunities to debate her on some of the issues on which we differ tremendously. But I suspect that it is often when people disagree that they come to know one another best and respect one another best. I feel as positively toward this nomination and toward Mrs. Gramm for reconfirmation in this position as I do of almost any person who comes before one of the committees on which I serve.

I think she has done a magnificent job. I am convinced that she is a good administrator and a sound judge of policy, and I look forward to many more years of debating those issues on which we occasionally differ.

## STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. Mr. Chairman, I would point out I was reading in the Wall Street Journal today that the article——

The CHAIRMAN. You are certainly in that kind of a financial bracket, Rudy. We would expect you to be reading that.

Senator COCHRAN. Unless yesterday's amendment goes into effect. [Laughter.]

The CHAIRMAN. One would assume it would. Certainly the U.S. Senators would not cast a vote they didn't mean.

Senator BOSCHWITZ. My wife has most of the money, so I wouldn't be—but I notice in the article that I am reading that—and I point out I am reading the article about Mrs. Gramm, not

reading the sports page, as I see was mentioned in the article. [Laughter.]

I would say, Mr. Chairman, that the CFTC is an extraordinarily important body. Trading in futures, monetary bonds, and money itself and making available a market for money is taking on a larger and larger role in what this Government does and what the world does.

There was a very expansive article in last week's Economist about the world markets and their interrelationship and the scope of those markets and how much is traded. The importance of the CFTC, Mr. Chairman, has never been greater. It really is important that we clarify and bring to an end some of this sniping and barking that is going on between some of these agencies because, otherwise, we are going to lose the whole show.

As I see efforts or suggestions being made that there will be transaction taxes and things like that, I presume—both in the form of a question and a comment, Mrs. Gramm—that in the event that such a tax would be imposed, there would be nothing stopping these transactions from taking place abroad. With the advent of Globex and international trading and all kinds of 24-hours-a-day, around-the-clock trading, that where these trades take place is going to become less and less significant.

So this is an extraordinarily important agency. I agree with the assessment of my friend from Mississippi that this has been a tough job, and you seemed to have gain strength with adversity. So I am very pleased to vote for Mrs. Gramm's reappointment, and I do so with enthusiasm and vigor.

Are we going to become involved in questions, Mr. Chairman?

The CHAIRMAN. Senator Boschwitz, we have a number of people here, yourself included, and we will let them give statements, too. But I thought if the rest of you don't mind, now that you have all given yours, that I might say a word or two also.

Senator BOSCHWITZ. Is there much to say after—— [Laughter.]

## STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Mine will be in the area of substance.

Dr. Gramm, you come before us today having presided over the Commodity Futures Trading Commission during the most tumultuous period in the agency's 16-year history. I think you have weathered a number of storms: the controversy following the stock market crash of Black Monday 1987; last year's FBI sting and soybean market emergency; this year's debate over stock-index futures jurisdiction, to name a few; not to mention the daily and sometimes hourly problems that come before you.

You will be asked during today's hearing what you view as the major crises facing the CFTC today. I have my own strong view on this subject, and, just so that everybody else would know, I will mention it. To me, the most critical need facing the CFTC at this point in time is for Congress to adopt CFTC reauthorization legislation this year.

We have to resolve the cloud of uncertainty hanging over futures regulation for the past 2 years. Otherwise, a return to the conduct

of normal business and the implementation of key reforms will continue to be stymied.

Unfortunately, progress on S. 1729, the Futures Trading Practices Act, which I might mention was approved unanimously by this committee last November, has been stalled for 9 months now by the controversy over stock-index futures jurisdiction. Now, I oppose the proposal to shift jurisdiction for these instruments from the CFTC to the SEC, but I am willing to vote that issue up or down.

I feel that the Treasury Department and the SEC have acted in a highly irresponsible manner by pressing this idea in a way that has created a bitter political stalemate which has blocked important reform proposals for both the futures and the securities markets. I want to vote on these matters, not indulge egos and turf battles which may please a few self-styled winners but does little for the markets of this country.

I also feel that the futures side has argued effectively that margins on stock-index futures did not cause or deepen the stock market crashes of 1987 and 1989—though I do think some oversight reforms might be appropriate—and that far-reaching changes in the CFTC's exclusive jurisdiction are not necessary to ensure continued innovation in U.S. financial markets.

Nevertheless, I understand that achieving passage of S. 1729 this year may require some compromise on these points. Such a compromise would be worthwhile if it could produce three results:

First, it has to assure passage of S. 1729 and needed securities market reform bills. We just can't let them last and hang and dangle until the next Congress.

Second, the SEC/CFTC jurisdictional war must be put to rest.

Third, it must assure each side that its legitimate interests are protected. If it doesn't do that, it doesn't have any chance of becoming law in the final weeks of this Congress.

Such a compromise may prove to be impossible. The issues at stake are complex and the level of distrust created this year by the jurisdictional war is high, and that is so unfortunate that—I don't want to suggest that it has always been driven just by egos or turf battles, but to the extent that it has—and, indeed, it has in some areas—one has to ask some of the individuals what they feel they are accomplishing for the country or for these markets if they raise this level of distrust. But I hope that we will find a way to common ground in this area so that we can move forward with needed CFTC legislation.

Dr. Gramm, I know that you have been strongly urging us to move forward with it, as have most members. No member around this committee table has held us from going forward with a vote. Everybody is prepared to go, and it is unfortunate that it hasn't happened.

Anyway, we have to give you a chance to speak. Would you please stand and raise your right hand? Do you solemnly swear that the testimony you give in this matter will be the truth, the whole truth, and nothing but the truth, so help you God?

Dr. GRAMM. I so swear.

The CHAIRMAN. We are delighted to have you here. The forum is yours.

## TESTIMONY OF WENDY L. GRAMM, NOMINEE TO BE CHAIRMAN OF THE COMMODITY FUTURES TRADING COMMISSION

Dr. GRAMM. Thank you, Mr. Chairman, members of this committee, I am pleased and honored to appear before you today as the President's nominee to become reconfirmed as Chairman of the Commodity Futures Trading Commission.

I would like to first thank Chairman de la Garza and Senator Inouye and Chairman Bentsen for their kind words and support, and for appearing here today. I know that everybody is busy. And I also want to thank you for the kind words as well from you members. I appreciate that.

As you are aware, I have served as Chairman of the Commission since February 22, 1988. Having served as Chairman for nearly 2½ years, I recognize the many challenges and opportunities which confront the Commission and the futures industry.

Let me also assure you that ensuring market integrity and promoting public confidence remains first and foremost the Commission's most important mission. U.S. futures markets are world leaders, and I have worked to ensure that this leadership role continues.

In recent years, the Commission has initiated numerous actions to strengthen our enforcement and oversight capabilities, and we continue to move forward in that direction. We also have worked to facilitate the industry's development of new and automated trading systems which will enhance competitiveness and improve audit and surveillance procedures. Important tools will hopefully also be made available in the agency's pending reauthorization legislation, S. 1729, which the Agriculture Committee approved last November, and I, too, would very much like to see that bill be made into law.

International issues will continue to play an increasingly important role in the Commission's activities. Working with our foreign counterparts can help streamline regulation and permit U.S. businesses to compete more effectively in a rapidly changing world market.

In the face of ever-increasing competition, the U.S. futures industry has remained the preeminent world leader. This success, in large part, can be attributed to the innovative spirit of the U.S. industry and the collective efforts of this committee and the Commission. If reconfirmed, I look forward to continuing to work with you to achieve the objectives of integrity and customer protection embodied in the Commodity Exchange Act. Doing so will promote strong and sound financial markets able to meet all the challenges ahead.

I would now be happy to answer any questions that you may have.

[The Biographical Information, Financial Data and Conflict of Interest, and Financial Disclosure Report follow:]

BIOGRAPHICAL INFORMATION (PUBLIC)

1. **Full name (include any former names used).**

   Wendy Lee Gramm (formerly Wendy Lee).

2. **Date and place of birth.**

   January 10, 1945. Waialua, Hawaii.

3. **Address: List current place of residence and office address (es). List all office and home telephone numbers where you may be reached.**

   Residence: 4201 Yuma Street, N.W.
   Washington, D.C. 20016
   Phone: (202) 362-5541

   Office: Commodity Futures Trading Commission
   2033 K Street, N.W.
   Washington, D.C. 20581
   Phone: (202) 254-6970

4. **Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address (es).**

   Married. Phil Gramm
   United States Senator
   370 Russell Senate Office Building
   Washington, D.C. 20510

5. **Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.**

   Attended from September 1962 - June 1966
   Wellesley College, B.A. (Economics), 1966

   Attended from September 1966 - August 1970
   Northwestern University, Ph.D. (Economics), 1971

6. **Employment Record:** List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions, and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

| From | To | Position |
|---|---|---|
| 2/88 | Present | Chairman, Commodity Futures Trading Commission<br>Washington, D.C.<br>(Manages Federal Agency that implements the Commodity Exchange Act which regulates futures and option trading in the U.S.) |
| 10/85 | 2/88 | Administrator, Office of Information and Regulatory Affairs<br>Washington, D.C.<br>(Reviewed paperwork and regulations of federal government. Reviewed, coordinated, and provided guidance on information policy, information resources management, statistical policy for federal government.) |
| 12/86 | 2/88 | Executive Director, President's Task Force on Regulatory Relief<br>Washington, D.C.<br>(Provided staff support to the Task Force.) |
| 11/84 and 2/83 | 10/85 and 8/84 | Director, Bureau of Economics<br>Federal Trade Commission<br>Washington, D.C.<br>(Supervised economists in Bureau of Economics in providing economic analysis to commissioners on antitrust and consumer protection issues.) |
| 3/82 | 2/83 | Assistant Director, Division of Consumer Protection<br>Federal Trade Commission<br>Washington, D.C.<br>(Supervised economists in Bureau of Economics providing economic analysis for commissioners on consumer protection matters.) |
| 1/79 | 2/82 | Research Staff member (Top secret clearance) |

| | | |
|---|---|---|
| | | Institute for Defense Analyses<br>Alexandria, VA<br>(Provided economic analyses of various defense-related issues.) |
| 9/70 | 1/79 | Texas A&M University<br>College Station, Texas |
| 1975 | 1979 | * Associate Professor<br>(Taught University courses; undertook research projects.) |
| 1974 | 1977 | * Director of Undergraduate Programs<br>(Advised undergraduate economics majors; prepared undergraduate teaching schedules; and generally oversaw undergraduate economics program for the Department of Economics.) |
| 1970 | 1975 | * Assistant Professor<br>(Taught University courses; undertook research projects.) |
| 9/70 | 1/79 | Self-employed consultant<br>(Did economic research and reviewed textbooks for various clients.) |
| 9/69 | 12/69 | Instructor (part-time)<br>Department of Quantitative Methods<br>University of Illinois, Chicago, IL<br>(Taught statistics to undergraduate business students for one term.) |
| 6/67 | 9/67 | Methodist Church<br>Main business office (secretarial)<br>Evanston, IL<br>(Typed drafts.) |
| Summer 1965<br>Summer 1966 | | Castle & Cooke, Inc.<br>Honolulu, HI<br>(Secretarial - primarily filled in for vacationing secretaries for company and several subsidiaries.) |
| Summer 1964 | | Reetz Farms<br>Eugene, OR<br>(Picked strawberries and beans.) |

Partnerships: (See financial information.) We co-owned rental property with my parents until 1986. We currently co-own rental homes with Mr. and Mrs. T.R. Saving.

7. **Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.**

No.

8. **Government Service:** **State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.**

| | |
|---|---|
| March 1, 1982 - February 28, 1983<br>Assistant Director<br>Division of Consumer Protection<br>Bureau of Economics<br>Federal Trade Commission | Appointed position<br>ES Step 1 |
| February 28, 1983 - October 7, 1985<br>(Except between August - November 1984)<br>Director<br>Bureau of Economics<br>Federal Trade Commission | Appointed position<br>ES Step 5<br>ES Step 6 (8/14/84) |
| October 7, 1985 - February 22, 1988<br>Administrator, Office of<br>Information and Regulatory Affairs<br>Office of Management and Budget | Appointed position<br>ES Step 6 |
| February 23, 1988 - present<br>Chairman<br>Commodity Futures Trading Commission | Appointed position<br>EL 3 |

9. **Honors and Awards:** **List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.**

I received scholarships both as an undergraduate and as a graduate student at Wellesley College and Northwestern University.

10. **Other Memberships:** **List all organizations to which you belong, excluding religious organizations.**

Punahou Alumni Association
American Economic Association
Texas Women for Soviet Jewry
Business Advisory Council,
Graduate School of Industrial
Administration, Carnegie Mellon University
Brazos County Republican Women

11. **Published Writings:** **List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you make during the past five years on**

**Issues involving** agriculture, nutrition, forestry or commodity futures policy or related matters.

Attached.

12. **Health:** What is the present state of your health?

Excellent.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. **Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?**

   Yes.

2. **List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incomplete contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.**

   None. (Other than existing retirement accounts, listed under family assets.)

3. **Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)**

   No.

4. **If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)**

   No. However, I have participated in Presidential and other campaigns when requested.

5. **Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)**

   No.

6. **Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)**

   No.

7. **Identify all investments, obligations liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.**

   A potential conflict of interest was resolved prior to my original appointment to the CFTC in regard to honorarium which might be received by my husband in his position as U.S.

Senator. He has agreed to forego any potential honorarium from any person or entity which is regulated by the Commission.

8. **Have you ever received a government guaranteed student loan? If so, has it been repaid?**

I had a government guaranteed student loan and it was repaid.

9. **If confirmed, explain how you will resolve any potential conflict or interest, including any that may be disclosed by your responses to the above items.**

I would consult with the Designated Agency Ethics Official regarding any potential conflicts of interest and, if so advised, would recuse myself from any matter in which there would be a conflict of interest.

United States
**Office of Government Ethics**
Suite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

April 27, 1990

The Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Dr. Wendy L. Gramm, who has been nominated by President Bush for the position of Chairman and Commissioner of the Commodity Futures Trading Commission (the "Commission").

We have reviewed the report and have also obtained advice from the Commission concerning any possible conflict in light of its functions and the nominee's proposed duties. Dr. Gramm's husband, a United States Senator, has agreed to forgo honoraria from entities regulated by the Commission as long as Dr. Gramm serves as a member and Chairman of the Commission.

Based thereon, we believe that Dr. Gramm is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Donald E. Campbell

Donald E. Campbell
Acting Director

Enclosure

# Financial Disclosure Report

Form Approved OMB No. 3209-0002



| Reporting Status (Check Appropriate Box) | | Agency Use Only | OGE Use Only | Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.) | Termination Date (If Applicable) (Month, Day, Year) |
|---|---|---|---|---|---|
| [ ] Incumbent | [X] New Entrant, Nominee, or Candidate [ ] Termination Filer | recd 4/13/90 MB | APR 26 1990 | ~~2/22/88~~ 4/4/90 | 4/13/90 |

| | Last Name | First Name and Middle Initial |
|---|---|---|
| **Reporting Individual's Name** | GRAMM | WENDY L. |
| **Position for Which Filing** | Title of Position: CHAIRMAN | Department or Agency (If Applicable): CFTC |
| **Location of Present Office** | Address (Number, Street, City, State and ZIP Code): 2033 K St., N.W. Washington, DC 20581 | Telephone No. (Include Area Code): 202-254-6970 |
| Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above) | Title of Position(s) and Date(s) Held | |

| | Name of Congressional Committee Considering Nomination | Do You Intend to Create a Qualified Diversified Trust? |
|---|---|---|
| **Presidential Nominees Subject to Senate Confirmation** | Senate Committee on Agriculture | [ ] Yes [X] No |

| Certification | Signature of Reporting Individual | Date (Month, Day, Year) |
|---|---|---|
| I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief. | Wendy L Gramm | 3-16-90 |
| **Other Review (If desired by agency)** | Signature of Other Reviewer | Date (Month, Day, Year) |
| | | |
| **Agency Ethics Official's Opinion** | Signature of Designated Agency Ethics Official/Reviewing Official | Date (Month, Day, Year) |
| The information contained in this report discloses no conflict of interest under applicable laws and regulations. | EJ Mederos | 4/25/90 |
| **Office of Government Ethics Use Only** 3/21/90 4/27/90 | Signature: Donald E. Campbell | Date (Month, Day, Year): 4/27/90 |

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

(Check box if comments are continued on the reverse side) [ ]

## Reporting Periods

**Incumbents:** Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

**Termination Filers:** Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

**Nominees, New Entrants and Candidates for President and Vice President:** Complete Schedules A (except for BLOCK D), C, and D. (Candidates do not file Part II of Schedule D.

- **Schedule A**—The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I** (Liabilities)—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II** (Agreements and Arrangements)—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

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19

NOTE: Gramm Saving Investments assests are listed as (GSI)

SF 278 (Rev. 7/87) Ch. 1
Part I Chapter 734
U.S. Office of Personnel Management

Form Approved
OMB No. 3209-0001

| Reporting Individual's Name | | Page Number | | Schedule |
|---|---|---|---|---|
| GRAMM, WENDY L. | **Assets and Income** | | 1 | A |

**All Filers:** In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

**All Filers:** In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

**All Filers:** In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

**Incumbents and Termination Filers only:** In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

| BLOCK A Assets & Income Sources | | BLOCK B Valuation of Assets | | | | | | | BLOCK C Income | | | | | | | | | | | | | | BLOCK D Transactions Test | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐ | | Category of Value (X) | | | | | | | Type of Income (X) | | | | | | | Category of Amount of Income (X) | | | | | | | | | If yes, complete Schd. B Part I for those assets including those sold for a loss. | |
| S or DC | Examples | None (or less than $1001) | $1,001-$5,000 | $5,001-$15,000 | $15,001-$50,000 | $50,001-$100,000 | $100,001-$250,000 | Over $250,000 | Dividends | Rent | Interest | Capital Gains | Excepted Trust | Qualified Trust | Other (Specify Type) | None (or less than $101) | $101-$1,000 | $1,001-$2,500 | $2,501-$5,000 | $5,001-$15,000 | $15,001-$50,000 | $50,001-$100,000 | Over $100,000 | Actual Amount Only if "Other" Specified | Date (Mo., Day, Yr.) Only if Honoraria | YES | NO |
| | Examples | | | | | | | | | | | | | | | | | | | | | | | | | |
| | XYZ Common Stock Dividends | | | X | | | | | X | | | | | | | | | X | | | | | | | | |
| | Doe Jones & Smith, Hometown, USA Income of Spouse | | | | X | | | | | | | | | | partnership income | | | | | | | | | -- | | |
| 1 | S Member, U.S. Senate | | | | | | | | | | | | | | Salary | | | | | | | X | | $50,000 | | | X |
| 2 | S Honoraria received by Spouse | | | | | SEE ATTACHED | | | | | | | | | | | | | | | X | | | | | |
| 3 | S/DC Gramm Saving Investment (GSI) ½owner-1406 Dominik, College Station, TX | | | | X | | | | | X | | | | | | | | | | | | | | | | |
| 4 | S/DC (GSI) ½owner, house 807 Wine St., Bryan, TX | | | | X | | | | | X | | | | | | | | | | X | | | | | | X |
| 5 | S/DC (GSI) ½owner, house 3607 Southview Cir., Bryan, TX | | | | X | | | | | X | | | | | | | | | | X | | | | | | X |
| 6 | S/DC (GSI) ½owner, house 3011 Adrienne, College Station, TX | | | | X | | | | | X | | | | | | | | | | X | | | | | | X |
| 7 | S/DC (GSI) ½owner, house 1100 Berkeley, College Station, TX | | | | X | | | | | X | | | | | | | | | | X | | | | | | X |
| 8 | S/DC Duplex 208-210 Harvard Crt, College Station, TX | | | | | X | | | | X | | | | | | | | | | X | | | | | | X |
| 9 | S/DC Duplex, 216-218 Harvard Crt, College Station, TX | | | | | X | | | | X | | | | | | | | | | X | | | | | | X |
| 10 | S TIAA CREFF Teaching Retirement Investments New York, NY | | | | | X | | | | | X | | | | accrues to acct | | | | | X | | | | | | X |

20

**Schedule A Attachment #1**

**HONORARIA RECEIVED BY SPOUSE** (OVER $1,000)

| Date | Source |
|---|---|
| 1/9/89 | American Farm Bureau Federation<br>600 Maryland Ave., S.W.<br>Washington, D.C. |
| 1/19/89 | Financial Institutions Roundtable<br>301 Congress<br>Austin, TX |
| 1/26/89 | Heritage Foundation<br>214 Massachusetts, NE<br>Washington, D.C. |
| 1/31/89 | National Association of Wholesale Distributors<br>1725 K Street, N.W.<br>Washington, D.C. |
| 2/28/89 | National Ready Mix Concrete Association<br>900 Spring Street<br>Silver Spring, MA |
| 3/6/89 | National Association of Credit Unions<br>3138 North 10th St.,<br>Arlington, VA |
| 3/13/89 | National Association of Home Builders<br>15th & M Streets, N.W.<br>Washington, D.C. |
| 4/20/89 | Grocery Manufacturers of America<br>1010 Wisconsin Avenue., N.W.<br>Washington, D.C. |
| 5/11/89 | Interstate Natural Gas Association of America<br>555 13th Street, N.W.<br>Washington, D.C. |
| 5/16/89 | Institutional Investor Institute<br>488 Madison Ave.,<br>New York, NY |
| 5/17/89 | Occidental Chemical Corporation<br>1747 Pennsylvania Ave., N.W.<br>Washington, D.C. |

278 (Rev. 1/87)
for Chapter 734
5, Office of Personnel Management

Form Approved
OMB No. 3209-0001

| Reporting Individual's Name | Assets and Income | Page Number | | Schedule A |
|---|---|---|---|---|
| RAMM, WENDY L. | | | 2 | |

**All Filers:** In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

**All Filers:** In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

**All Filers:** In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

**Incumbents and Termination Filers only:** In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

| BLOCK A Assets & Income Sources | BLOCK B Valuation of Assets | BLOCK C Income | | | | | | | | | | | | | | | | | | | | BLOCK D Transactions Test | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐ | Category of Value (X) | | | | | | | | Type of Income (X) | | | | | | | Category of Amount of Income (X) | | | | | | | | | | If yes, complete Schd. B Part II for those assets including those sold for a "less | |
| | None (or less than $1001) | $1,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | $100,001 $250,000 | Over $250,000 | Dividends | Rent | Interest | Capital Gains | Excepted Trust | Qualified Trust | Other (Specify Type) | None (or less than $101) | $101 $1,000 | $1,001 $2,500 | $2,501 $5,000 | $5,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | Over $100,000 | Actual Amount Only if "Other" Specified | Date (Mo., Day, Yr.) Only if Honoraria | YES | NO |
| S Exempt DC X Y Z Commodities | | | X | | | | X | | | | | | | | | X | | | | | | | X | |
| C Doe Jones & Smith, Hometown, USA | | X | | | | | | | | | | | ownership income | | | | | | | | $50,000 | | | |
| /S (GSI) Owner, AG Edwards Money Market, St. Louis, MO | | X | | | | | | | X | | | | accrues to acct | | X | | | | | | | | | X |
| /S Riggs National Bank Washington, D.C. | | X | | | | | | | X | | | | | | X | | | | | | | | | X |
| S IRA, Jefferson Pilot Bryan, TX | | X | | | | | | | X | | | | accrues to acct | | X | | | | | | | | | X |
| TIAA-CREFF Teaching Retirement Annuities, New York, NY | | | | X | | | | | X | | | | accrues to acct | | | | | | X | | | | | X |
| Chairman, CFTC Washington, D.C. | | | | | | | | | | | | | Salary | | | | | | | X | | | | X |
| S Tax Sheltered Annuity Security Benefit, Topeka, KS | | | X | | | | | | X | | | | accrues to acct | | | X | | | | | | | | X |
| /S Jefferson Pilot Ins Greensboro, NC | | X | | | | | | | X | | | | accrues to acct | | X | | | | | | | | | X |
| Tax Sheltered Annuity Security Benefit, Topeka, KS | | | | X | | | | | X | | | | accrues to acct | | | | X | | | | | | | X |
| IRA Jefferson Pilot, Bryan, TX | | X | | | | | | | X | | | | accrues to acct | | X | | | | | | | | | X |
| S /S Castle & Cooke Stock Honolulu, HI | | | X | | | | X | | | | | | | X | | | | | | | | | | X |

F 278 (Rev. 1/87)
For Chapter 73
U.S. Office of Personnel Management

Form Approved:
OMB No. 3209-0052

| Reporting Individual's Name | Assets and Income | Page Number | | Schedule A |
|---|---|---|---|---|
| GRAMM, WENDY L. | | | 3 | |

**All Filers:** In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. **Exclude** your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

**All Filers:** In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

**All Filers:** In BLOCK C report the type and amount of income exceeding $100 received from the **assets** and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

**Incumbents and Termination Filers only:** In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

| BLOCK A Assets & Income Sources | | BLOCK B Valuation of Assets | | | | | | | | BLOCK C Income | | | | | | | | | | | | | | BLOCK D Transactions Test | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐ | | Category of Value (X) | | | | | | | | Type of Income (X) | | | | | | Other (Specify Type) | Category of Amount of Income (X) | | | | | | | | Actual Amount Only if "Other" Specified | Date (Mo., Day, Yr.) Only if Honoraria | If yes, complete Schd. B Part I for those assets including those sold for a loss. | |
| S or DC | Examples | None (or less than $1001) | $1,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | $100,001 $250,000 | Over $250,000 | Dividends | Rent | Interest | Capital Gains | Excepted Trust | Qualified Trust | | None (or less than $101) | $101 $1,000 | $1,001 $2,500 | $2,501 $5,000 | $5,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | Over $100,000 | | | YES | NO |
| | X Y Z Common Doe Jones & Smith, Hometown, USA | | X | | | | | X | | | | | | | | | X | | | | | | | | X | |
| | | | | | | | | | | | | | | ownership income | | | | | | | | | $50,000 | | | |
| 1 | Thrift Savings- G Fund New Orleans, LA | | | X | | | | | | X | | | | accrues to acct | | X | | | | | | | | | | X |
| 2 | Thrift Savings- F Fund New Orleans, LA | X | | | | | | | | X | | | | accrues to acct | X | | | | | | | | | | | X |
| 3 | Thrift Savings- C Fund New Orleans, LA | X | | | | | | | | X | | | | accrues to acct | X | | | | | | | | | | | X |
| 4 | Thrift Savings-G Fund sNew Orleans, LA | | | X | | | | | | X | | | | accrues to acct | | X | | | | | | | | | | X |
| 5 | IRA-SEP SJefferson Pilot, Bryan, | TX | | X | | | | | | X | | | | accrues to acct | | | X | | | | | | | | | X |
| 6 | 5% Share(1.3805 acres w/a27.61 acre tract)Bryan, | and TX | | | X | | | | | | | | | not income producing | X | | | | | | | | | | | X |
| 7 | Campsite- 4 acres w/sFlattop Mt., VA | | | X | | | | | | | | | | not income producing | X | | | | | | | | | | | X |
| 8 | Gibson Lakeview Estate w/sLot 30, Corsicana, TX | | | | X | | | | | | | | | not income producing | X | | | | | | | | | | | X |
| 9 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | | | | | | | | | | | | | | |

278-T11

SF 278 (Rev. 1/87)
5 CFR Chapter XIV
U.S. Office of Personnel Management

Form Approved
OMB No. 3206-0062

Reporting Individual's Name
GRAMM, WENDY L.

| Page Number | I | Schedule B |
|---|---|---|

## Part I
## Transactions

**Incumbents and Termination Filers only:** Report any purchase, sale or exchange by you, your spouse or dependent child during the reporting period of any real property, stocks, bonds, commodities futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse or your dependent child.

NONE ☐

| S or DC | Example | Identification of Assets | Type of Transaction (X) Purchase | Sale | Exchange | Date (Mo., Day, Yr.) | Amount of Transaction (X) $1,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | $100,001 $250,000 | Over $250,000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | X Y Z Common | X | | | 2/1/83 | | X | | | |
| 1 | | NOT APPLICABLE | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | | | | | | | | | | | |

## Part II
## Gifts, Reimbursements and Travel Expenses

**Incumbents and Termination Filers only:** Report the source, a brief description and the value of: (1) in-kind gifts of transportation, lodging, food or entertainment received from one source totaling $250 or more unless received as personal hospitality at the donor's personal or family residence; (2) other gifts received from one source totaling $100 or more in value; and (3) cash reimbursements of $250 or more received from one source. Exclude gifts and reimbursements received by your spouse that were given totally independent of their relationship to you. **Exclude** transportation, lodging, food and reimbursements from the U.S. Government. For (1) and (2), **exclude** gifts from relatives and **exclude** gifts of $35 or less when aggregating them for the total from one source. See instructions for further exclusions.

NONE ☐

| S | Example | Source (Name and Address) | Brief Description | Value |
|---|---|---|---|---|
| | | Nat'l Assn. of Rock Collectors, NY, NY | Airline ticket, hotel room & meals incident to national conference 6/15/83 | $500 |
| | | Nat'l Assn. of Rock Collectors, NY, NY | Leather briefcase for retiring president | $125 |
| 1 | | NOT APPLICABLE | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |

SF 278 (Rev. 7/87)
FPH Chapter 734
U.S. Office of Personnel Management

Form Approved
OMB No. 3209-0012

Reporting Individual's Name
GRAMM, WENDY L.

| Page Number | 1 | Schedule C |
|---|---|---|

## Part I
## Liabilities

**All Filers:** Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☐

| S or DC | Creditor (Name and Address) | Type of Liability | Date Incurred | Interest Rate | Term if applicable | Category of Amount or Value (X) $10,001 to $15,000 | $15,001 to $50,000 | $50,001 to $100,000 | $100,001 to $250,000 | Over $250,000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Exam-ples | First District Bank, Washington, DC | Mortgage on rental property, Rehoboth Beach, Delaware | 1981 | 13% | 25 yrs. | | | X | | |
| | John Jones 123 J St., Washington, DC | Promissory note | 1979 | 10% | on demand | X | | | | |
| 1 S | First Republic Bank, College Station, TX | Mortgage, 3011 Adrienne College Station, TX | 9/87 | 975 | 20yr | | X | | | |
| 2 S | First Republic Bank, College Station, TX | Mortgage, 1100 Berkeley College Station, TX | 4/87 | 9.5 | 20yr | X | | | | |
| 3 S | Busiek-Jones (Farm & Home Savings) Bryan, TX | Mortgage, 1406 Dominik College Station, TX | 6/84 | 10.5 | 30yr | | X | | | |
| 4 S | Drew Mortgage Co., Houston, TX | Mortgage, 208-210 Harvard Crt., College Station, TX | 1/77 | 9.5 | 25yr | | X | | | |
| 5 S | Drew Mortgage Co., Houston, TX | Mortgage, 216-218 Harvard Crt., College Station, TX | 1/77 | 9.5 | 25yr | | X | | | |
| 6 S | Dr. Louis Gibson, Corsicana, TX | Mortgage, Gibson Lakeview Estate Corsicana, TX | 6/83 | 8.0 | 10yr | | X | | | |

## Part II
## Agreements Or Arrangements

**All Filers:** Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☒

| Status and Terms of any Agreement or Arrangement | Parties | Date (Mo., Yr.) |
|---|---|---|
| Example: Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83 | Doe Jones & Smith, Home town, USA | 7/75 ptnership agmnt. |
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| | | |

SF 278 (Rev. 7/87)
FPM Chapter 734
U.S. Office of Personnel Management

Form Approved
OMB No. 3206-0082

Reporting Individual's Name
GRAMM, WENDY L.

| Page Number | 2 | Schedule C |
|---|---|---|

## Part I
## Liabilities

**All Filers:** Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☐

| | | Creditor (Name and Address) | Type of Liability | Date Incurred | Interest Rate | Term if applicable | Category of Amount or Value (X) $10,001 to $15,000 | $15,001 to $50,000 | $50,001 to $100,000 | $100,001 to $250,000 | Over $250,000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| S or DC | Examples | First District Bank, Washington, DC | Mortgage on rental property, Rehoboth Beach, Delaware | 1981 | 13% | 25 yrs. | | | X | | |
| | | John Jones, 123 J St., Washington, DC | Promissory note | 1979 | 10% | on demand | X | | | | |
| 1 | s/s | First City, Texas Bryan, TX | Loan | 10/89 | 9.0 | Matures 1/90 | | X | | | |
| 2 | s/s | First City, Texas Bryan, TX | Loan | 12/89 | 10% | repaid in full 2/6/90 | | | X | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | | | | | | | | | | | |

## Part II
## Agreements Or Arrangements

**All Filers:** Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☒

| | Status and Terms of any Agreement or Arrangement | Parties | Date (Mo., Yr.) |
|---|---|---|---|
| Example | Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83 | Doe Jones & Smith, Home town, USA | 7/75 ptnership agmnt |
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Office of Personnel Management

Form Approved
OMB No. 3206-0182

Reporting Individual's Name
GRAMM, WENDY L.

| Page Number | 1 | Schedule D |
|---|---|---|

## Part I
## Positions Held Outside U.S. Government

**All Filers:** Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution.

**Exclude** positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

| Organization (Name and Address) | Type of Organization | Position Held | From (Mo., Yr.) | To (Mo., Yr.) |
|---|---|---|---|---|
| Examples: Nat'l Assn. of Rock Collectors, NY, NY | Non-profit education | President | 6/82 | 6/83 |
| Doe Jones & Smith, Hometown, USA | Law firm | Partner | 7/75 | 11/83 |
| Graduate School of Industrial Administration Carnegie Mellon University, Pittsburgh, PA | Non-profit education | Advisory Board | 6/88 | present |
| Texas Women for Soviet Jewry | Non-profit | Advisory Board | 11/87 | present |
| Gramm-Saving Investments, Bryan ,TX | Partnership | Partner (General) | 1/71 | present |
| | | | | |
| | | | | |
| | | | | |

## Part II
## Compensation In Excess Of $5000 Paid by One Source

**Nominees and New Entrants only:** Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☒

| Source (Name and Address) | Brief Description of Duties |
|---|---|
| Examples: Doe Jones & Smith, Hometown, USA | Legal services |
| Metro University (client of Doe Jones & Smith) Hometown, USA | Legal services in connection with university construction |
| | |
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| | |

PREVIOUS EDITION USABLE

27

**Schedule A Attachment #1**

**HONORARIA RECEIVED BY SPOUSE** (OVER $1,000) SINCE MARCH 16, 1990

| Date | Source |
|---|---|
| 3/26/90 | National Lumber and Building Material Dealers Association<br>40 Ivy St., SE<br>Washington, D.C. |
| 4/2/90 | International Council of Shopping Centers<br>1199 N. Fairfax<br>Alexandria, VA |
| 4/27/90 | National Electrical Manufacturers Association<br>2101 L St., N.W.<br>Washington, D.C. |
| 5/1/90 | Associated Specialty Contractors<br>7315 Wisconsin Ave.<br>Bethesda, MD |
| 5/3/90 | Washington Research Group<br>1000 Thomas Jefferson<br>Washington, D.C. |
| 5/7/90 | Nestle<br>1511 K Street, N.W.<br>Washington, D.C. |
| 5/8/90 | National Forest Products Association<br>1250 Connecticut Ave., N.W.<br>Washington, D.C. |
| 5/9/90 | American Furniture Manufacturing Association<br>918 16th St., N.W.<br>Washington, D.C. |
| 5/14/90 | American Society of Anesthesiologists<br>515 Busse Hwy.<br>Park Ridge, IL |
| 5/15/90 | Brownsville Chamber of Commerce<br>(Border Trade Alliance)<br>1600 E. Elizabeth<br>Brownsville, TX |
| 5/16/90 | American Bakers Association<br>1111 14th St., N.W.<br>Washington, D.C. |

**HONORIA RECEIVED BY SPOUSE**, continued

5/22/90 American International Automobile Dealers Association
1128 16th St., N.W.
Washington, D.C.

5/23/90 Citizens for a Sound Economy
470 L'Enfant Plaza, S.W.
East Building, #7112
Washington, D.C.

6/13/90 American Council for Capital Formation
1850 K St., N.W.
Washington, D.C

6/19/90 J.C. Penney Company
1156 15th St., N.W.
Washington, D.C.

The CHAIRMAN. Thank you, Dr. Gramm. First, I will ask the standard questions. If confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Dr. GRAMM. Yes.

The CHAIRMAN. If your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate?

Dr. GRAMM. Yes.

The CHAIRMAN. Dr. Gramm, there has been a lot of attention in the past few days about Stotler & Company, a Chicago-based trading firm which has faced recent financial problems. The firm was affiliated with Karsten Mahlmann who resigned yesterday as the Chairman of the Chicago Board of Trade. What is the current status of Stotler & Company? Is it still conducting customer trading business in the futures or securities markets?

Dr. GRAMM. It is winding down its business. Let me briefly give you an outline of what has been happening with Stotler, which is an FCM, and its parent company, which is an unregulated affiliate—that is called Stotler Group—and the Stotler Funds, which is a separate subsidiary of that parent company.

For well over a year, the Chicago Board of Trade, which was Stotler's designated self-regulatory organization, had Stotler on special financial watch, and within the past year, both the CBT and the CFTC have identified some problems with Stotler's accounting practices and financial operations and have required them to make some changes, which they have done.

As you are aware, last week, however, Stotler & Company, which is the FCM, the registered futures commission merchant, announced that it was winding down its business. Stotler Group, Inc., which is the parent company of Stotler & Company, announced on July 25 that it had defaulted on commercial paper obligations in the amount of about $750,000.

Stotler, the futures commission merchant, is winding down its business. There were over 65,000 separate customer accounts. But those accounts are being transferred to other futures commission merchants in an orderly fashion. The Commission continues to monitor the situation and work closely with the exchanges and other officials to make sure that those customer funds are protected. In fact, customer segregation is required in the Commodity Exchange Act, and we have determined that all customer funds of Stotler & Company, the FCM, have been in full segregation during the whole period, and the company is in capital compliance.

In a separate action, taken this past Tuesday, the Commission has filed a complaint against Stotler Funds, which is an affiliate, another subsidiary of the parent company, and it is a commodity pool operator. Our complaint alleges, with regard to two pools, that one pool made a $1 million loan to the parent company and another pool invested allegedly $4.5 million of assets in commercial paper of the Stotler parent. And that was in contravention to the disclosure documents. And so we are alleging fraud, and we are in court. At this point in time our primary concern is to make sure

that the customers of the commodity pools—the two commodity pools——

The CHAIRMAN. Are we talking about technical recordkeeping violations, or are we talking about serious bad faith?

Dr. GRAMM. We are talking about fraud.

The CHAIRMAN. The charges.

Dr. GRAMM. That is right.

The CHAIRMAN. The charges allege bad faith?

Dr. GRAMM. Fraud, that is right.

The CHAIRMAN. Does any individual customer stand to lose money as a result of these actions?

Dr. GRAMM. At this point in time, with respect to the pools what we are trying to do is to get court supervision so that customer funds will be protected, not only customer funds there are in the two pools, but also customer funds in the other unaffected pools.

The CHAIRMAN. We don't know yet whether people may lose money.

Dr. GRAMM. We don't know yet.

Senator BOSCHWITZ. May I simply ask a followup question on that?

The CHAIRMAN. Sure.

Senator BOSCHWITZ. It is nice to have the chairman of the House Committee here.

The CHAIRMAN. Mr. Chairman, it is a delight having you here. Good work. I watched you over there. I sympathized with you. I felt a certain kinship as you were going through that exercise.

Mr. DE LA GARZA. We look forward to resolving the differences and get an excellent final bill.

The CHAIRMAN. You don't mind if we wait until September for that, though, do you?

Mr. DE LA GARZA. Certainly not. [Laughter.]

The CHAIRMAN. Thank you.

Dr. GRAMM. Thank you, Chairman.

Senator BOSCHWITZ. May I ask a followup question, Mr. Chairman?

The CHAIRMAN. Sure.

Senator BOSCHWITZ. How many times has something of this nature occurred in the CBOT or the Chicago Merc or other exchanges over which you have jurisdiction, let's say in the past year? Is this an unusual occurrence?

Dr. GRAMM. This is unusual in that this is a very large company, and there are some 65,000 customer accounts. In the Drexel case, for example, there were 3,000 or 4,000 active customer accounts that were transferred. So this is a large number of accounts.

Senator BOSCHWITZ. This is a big company?

Dr. GRAMM. This is a large company with many small accounts as well.

The CHAIRMAN. The SEC, according to the papers, is investigating it. How did they come in? Who went into this first: the CFTC or the SEC? Do you know?

Dr. GRAMM. Well, as I mentioned earlier, Stotler was under increased financial surveillance really over the past year, and several times we raised several issues with the CBT and with Stotler & Company. The Stotler Company had made an application to

become a broker dealer in Government securities to the SEC, and so in conjunction——

The CHAIRMAN. When was that?

Dr. GRAMM. Pardon?

The CHAIRMAN. When was that?

Dr. GRAMM. I don't know when the application was actually made, but I can get that information for you.

The CHAIRMAN. Do you know approximately? A year ago? Six months ago?

Dr. GRAMM. I don't know. But it was in conjunction with that application that the SEC reviewed some of the balance sheets of Stotler and raised some questions to us. The SEC staff in Chicago raised some questions to us about the accounting treatment of certain items. We answered some of their questions as to what the accounting procedures were, but, also, we undertook to do a more thorough review of some other issues.

As a result of our more indepth review of the balance sheets for Stotler & Company that had been filed with the Commission, we, on July 10, disallowed the transfer of liabilities that had been made from Stotler & Company, the FCM, to the parent group.

The CHAIRMAN. Is that when you first learned of the possible financial problem?

Dr. GRAMM. Oh, the financial problems of the parent group company, the financial concerns, had been something the Commission and the self-regulatory organization had been monitoring for some time.

The CHAIRMAN. What some time?

Dr. GRAMM. Since February of 1989. Over a year.

The CHAIRMAN. Now, they had been operating with a very low level of net capital for about 3 years, had they not? They were above the minimum level, but they were very low. Isn't that correct?

Dr. GRAMM. They were near the minimum. That is right. And so they were required to be reporting to the self-regulatory organization monthly.

The CHAIRMAN. What about the charges that the CFTC, the CBOT, and maybe even the NFA, moved too slowly on this one? One of the complaints being made is that because of the person who headed the Stotler company—a person who also held a significant position within the Board of Trade and within the industry—everybody kind of went slowly.

Dr. GRAMM. No. I don't think there is any truth to those charges. In fact, we moved expeditiously in order to make sure that the customers would be protected.

The CHAIRMAN. I raise the question because I assume that if I don't, somebody else will. So we might as well just go through it. You don't feel that industry insiders were trying to protect a fellow insider in this case, at least from what you know now?

Dr. GRAMM. I don't know that, and I don't have any reason to believe that. Now, clearly, we will be reviewing all of that thoroughly to see whether or not there was some potential problem.

The CHAIRMAN. And, of course, Mr. Mahlmann, the head of that firm and the Chairman of the CBOT, has been a very strong supporter and ally of the CFTC. Again, the obvious questions come:

Did that fact give him a cache that others might not have had? Or was he treated, in your estimation, the same as anybody else?

Dr. GRAMM. Well, certainly this Commission has never shied away from taking action against not only exchanges but also well-respected members of companies. We, again, look at what the wrongdoing might have been, and we will be looking very carefully at this case to determine what appropriate action might be taken beyond what we have already done.

The CHAIRMAN. We have a small number of members here. I want to cover all the things they might bring up.

Incidentally, Senator Lugar is not feeling all that well, and I have a statement on his behalf supporting this hearing. I will include that in the record at the appropriate point as though read. It is in strong support of the nominee, I should say.[1]

We have received a further question here at the committee. You have been forthcoming in talking with the staff about trips to Texas that you have taken since becoming CFTC Chairman in 1988. Some of the trips involved political activities, including fundraising for the reelection of your husband. Expenses for these trips were paid generally by Senator Gramm's campaign rather than from Government funds. There have been some newspaper reports suggesting that it was improper for you, as Chair of the CFTC, to accept reimbursement from the Gramm campaign for these trips. I understand some part of your husband's campaign funds come from PAC contributions from financial firms regulated to some extent by the CFTC, principally brokerage houses. Those same newspaper accounts did not give you a chance to respond, so let's do that here.

Is there a conflict of interest between your duties as CFTC Chair and your receiving travel reimbursements from your husband's campaign fund containing contributions from firms regulated by the CFTC?

Dr. GRAMM. Let me just state, first of all, that I don't involve myself in my husband's campaign, fundraising, except that on occasion I do accompany him to some fundraising events; not all of his fundraising events, but some of them. But I am not aware of who has contributed to him because I don't look at his fundraising lists of contributors. In fact, in order to avoid any conflict and even the appearance of a conflict, my husband has agreed not to take any honoraria from any regulatee of the Commission.

Now, I don't know whether or not there are regulatees of the Commission who contribute to Phil's campaign because I am not involved in that element of the fundraising. But he is a member of the Senate Banking Committee, and has been for some time, and it wouldn't surprise me if there were some contributors in that regard.

With respect to my trips to Texas, since it has been raised here, I would like to point out for the knowledge of all of you other members that in the 2½ years since I have been Chairman, I have traveled to Texas on Commission business, paid for by the Commission, three times—to give a speech, for example, to the National Associa-

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[1] See page 4 for the prepared statement of Senator Lugar.

tion of Wheat Growers, the Texas Grain and Feed Association, and the Texas and Southwestern Cattle Raisers Association. In addition to those three Commission trips, I have traveled to Texas nine other times in 1988, nine other times in 1989, and four times in 1990. Those were paid out of other funds, personal funds, Phil's campaign fund, or other groups like the Houston Bar Association. Those were not paid for by the Commission.

On occasion, when I have been in Texas for personal or other reasons, maybe speaking to a Republican women's group, and I did have extra time in that town, I would occasionally visit with ag groups or the Farm Bureau. I would stop by the Farm Bureaus and talk about CFTC issues, find out what people were thinking, and I would tell them about what the Commission was doing. But that was at no expense to the Commission, basically part of what I consider an outreach effort.

The CHAIRMAN. I would note for other Senators on the committee that, when the question arose and the staff contacted Dr. Gramm and asked questions about it, she was most helpful and provided all the information on all the trips. This information is in the files. The summary just given is a totally accurate one. Again, I am trying to cover all the questions that have been raised because I hope that we can finish this hearing at some point tonight and will not have to come back to it tomorrow.

I would ask for the indulgence of the other Senators to let me just finish these questions in one last area.

As you know, we are coming near the end of the Congress, and we have not acted on S. 1729. This legislation authorizes funding for the CFTC for 5 years. I think it has some good reforms to prevent trading abuse. What will be the effect on the CFTC and the futures markets if we do not adopt some reauthorization legislation this year? Will it affect your ability to function?

Dr. GRAMM. Absolutely. First and foremost, the reauthorization does support a higher level of funding, and you should know that the House Appropriations Committee has frozen our fiscal year 1991 budget level at the fiscal year 1990 level because of our lack of authorization. So there is a real effect there. We are talking about some 50 people.

But there are other important authorities that would be included especially the authority to register floor traders. That authority is in the reauthorization bill. Another authority in the reauthorization bill would enhance our ability to obtain assistance from foreign regulators to police international fraud. In addition, risk assessment authority would enable us to obtain information from unregulated affiliates of futures commission merchants and could have been helpful, for example, in the Drexel case and in the Stotler case to find out about corporate relationships and money being transferred from one regulated affiliate to another unregulated affiliate, rather than, for example, in the Drexel case, the SEC found out from the Fed picking up a rumor off the street that Drexel was having problems rolling over its commercial paper and told the SEC about it. We also picked it up off the street.

Risk assessment authority is very important. There are a host of other authorities, as you well know, that strengthen our oversight

ability, including penalties, the ability to strengthen our audit trail, and the whole deficiency audit process, all very important.

The CHAIRMAN. We have also addressed the issue of dual trading in S. 1729, which, of course, the Commission is also looking at. When do you think the Commission may have something on dual trading?

Dr. GRAMM. Well, the comment period closed on July 9, and we do have a large number of comments on dual trading.

The CHAIRMAN. Which is not surprising.

Dr. GRAMM. We are reviewing them very carefully, and I will keep you posted as to our likely timetable as soon as we get a better handle on it.

The CHAIRMAN. Let me ask you this question: Do you feel that this constant jurisdictional uncertainty may have a deleterious effect on the markets?

Dr. GRAMM. I think that is an interesting comment because I was looking over my confirmation hearings from the last time around. There was a point that I was making then, and I think the point is very relevant right now. That is, these markets need regulatory certainty; and the whole jurisdictional debate does raise some questions about regulatory certainty here.

The CHAIRMAN. I would think that both the CFTC and the SEC need some certainty, just in your hiring practices, your promotion practices, your training practices, and so forth. I hope we can give it to you. I will be happy, whatever the final vote of the Congress is on this issue, if we at least get to have a vote. But I would think that in your position, as with the head of the SEC, that if you are going to promote people, try to hire people, try to expand, contract, or do anything else within your departments, you need some kind of certainty. We are not talking about the type of staff positions where you can just grab people off the street and expect them to have the necessary expertise. We are talking about complicated areas where it could take years for people to develop the expertise that they need.

If I have other questions, I will submit them for the record. I have imposed on my colleagues' time. Senator Cochran, did you have questions?

Senator COCHRAN. Mr. Chairman, I really don't have any questions. I just want to commend Dr. Gramm for her performance as Chairman of the CFTC and as a witness before our committee. I think she has done an exceptionally good job, and this illustrates why she should be reconfirmed.

Dr. GRAMM. Thank you.

The CHAIRMAN. Senator Gorton.

Senator GORTON. I join Senator Cochran. This is clear, straightforward, and I think typical of this witness. I am delighted she is here, and I am delighted that I believe we are going to reconfirm her, and I hope promptly.

Dr. GRAMM. Thank you.

The CHAIRMAN. Senator Boschwitz.

Senator BOSCHWITZ. Is the Commission now full?

Dr. GRAMM. There is one vacancy.

Senator BOSCHWITZ. Has anybody been selected by the White House for that?

Dr. GRAMM. Not yet.

Senator BOSCHWITZ. That vacancy has been rather long standing, has it not?

Dr. GRAMM. For several months now.

Senator BOSCHWITZ. Referring once again to the article that I previously referred to, there was some talk about the possibility of regulating exchanges in different countries in a uniform manner. Has there been any consideration of that, or do you think that that is a practical suggestion?

Dr. GRAMM. Do you mean having an international regulatory body?

Senator BOSCHWITZ. At least rules, international regulatory rules. I suppose with that would go an international regulatory body.

Dr. GRAMM. Well, we have several forums for international regulators to meet. Futures regulators meet at least twice a year. We meet to discuss and work to harmonize the regulations to make it easier for businesses to conduct business across boundaries. That has been something that has been very important from my perspective, and I work hard in that area. That doesn't necessarily lead to one superregulatory body.

There is also IOSCO, which is an international organization of securities commissions. We have been asked to be an associate member so that they can have some expertise in the futures markets as well.

Senator BOSCHWITZ. What would happen if a transaction tax was imposed?

Dr. GRAMM. Well, the transactions tax that is being proposed is one-half of 1 percent of contract value. While I can appreciate the concern for reducing the deficit, I think that you have to look very carefully to make sure that it doesn't have deleterious competitive impacts. Other countries have some experience with those taxes and are moving away from them.

Senator BOSCHWITZ. I see that we have a vote.

The CHAIRMAN. Senator Bond.

## STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Mr. Chairman, I apologize. I was held up in an unavoidable delay with my senior colleague and others, and I would ask unanimous consent that my remarks be submitted for the record.

The CHAIRMAN. Gratefully so.

Senator BOND. I know that you are all very anxious to know what I would have said, and I would have touched on all of the things that you have touched on. The need to move forward quickly on resolving the question of the margins on stock-index futures. I think we need to do that quickly. I have been concerned about the things that you have already addressed with respect to Stotler. But I am very pleased and delighted to hear Dr. Gramm's usual strong, forthcoming statements about the concerns on the direction in which she is leading the agency. And I am very pleased to be—you are not paying attention, gentlemen. [Laughter.]

I am very pleased to be a strong supporter of her confirmation.[2]

The CHAIRMAN. If they don't pay attention, they can come back at 9 o'clock.

My understanding is that there are no other Senators who have questions here. If that is the case, then I see no reason for us to have to come back this evening.

Dr. GRAMM. Thank you.

Senator BOND. Mr. Chairman, we are grateful to you for persevering to get this hearing held, and we thank you for your leadership.

[Whereupon, at 8:10 p.m., the committee was adjourned, subject to the call of the Chair.]

[2] See pp. 5–6 for the prepared statement of Senator Bond.

42-188 (44)

SF 278 (Rev. 1-87)
FPM Chapter 734
U.S. Office of Personnel Management

SUPPLEMENT TO SF 278 DATED 3-16-1990
(TO UPDATE INFORMATION TO 7-31-1990)

Form Approved
OMB No. 3209-0001

| Reporting Individual's Name | Assets and Income | Page Number | | Schedule |
|---|---|---|---|---|
| GRAMM, WENDY L. | | | 1 | A |

**All Filers:** In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. **Exclude** your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

**All Filers:** In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

**All Filers:** In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income; only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

**Incumbents and Termination Filers only:** In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

| BLOCK A Assets & Income Sources | | BLOCK B Valuation of Assets | | | | | | | | BLOCK C Income | | | | | | | | | | | | | BLOCK D Transactions Test | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐ | | Category of Value (X) | | | | | | | | Type of Income (X) | | | | | | Other (Specify Type) | Category of Amount of Income (X) | | | | | | | | Actual Amount Only if "Other" Specified | Date (Mo., Day, Yr.) Only if Honoraria | If yes, complete Sch. B Part II for those assets including those sold for a loss | |
| S or DC | Examples | None (or less than $1001) | $1,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | $100,001 $250,000 | Over $250,000 | Dividends | Rent | Interest | Capital Gains | Excepted Trust | Qualified Trust | | None (or less than $101) | $101 $1,000 | $1,001 $2,500 | $2,501 $5,000 | $5,001 $15,000 | $15,001 $50,000 | $50,001 $100,000 | Over $100,000 | | | YES | NO |
| | X Y Z Common | | | | | | | | | | | | | | | | | | | | | | | | |
| | Doe Jones & Smith, Hometown, USA | | X | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Income of Spouse | | | | | | | | | | | | | ptnrship income | | | | | | | | | $50,000 | | | |
| S | Member of U.S. Senate | | | | | | | | | | | | | Salary | | | | | | | | | | | | X |
| 2 | Chairman, CFTC | | | | | | | | | | | | | 1989 and 1990 to date (1½ years) | | | | | | | | X | | | | |
| | Washington, D.C. | | | | | | | | | | | | | Salary | | | | | | | | | | | | |
| | | | | | | | | | | | | | | 1989 and 1990 to date (1½ years) | | | | | | | | X | | | | |
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| S | Honoraria received by Spouse | | See Attached | | | | | | | | | | | | | | | | | X | | | | | | X |
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